



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
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WASHINGTON DC 20350-1000

JUN 20 2001

MEMORANDUM FOR DISTRIBUTION


Subj: SERVICE CONTRACT ACT (SCA) CHANGES

Encl: (1) Department of Labor All Agency Memorandum (AAM) #194,
dated May 17, 2001
(2) SCA Administration Reminders

Enclosure (1) advises that the SCA lower-level health and welfare (H&W) fringe benefit rate, previously at \$1.92/hour, has increased to \$2.02/hour effective June 1, 2001. Hawaii's lower-level H&W rate is increased from \$.70/hour to \$.93/hour. The higher-level H&W rate was frozen in 1997 and remains at \$2.56/hour. Wage determinations (WDs) with the \$2.56/hour H&W rate should be used ONLY on options, extensions, or resolicitations where the existing or previous contract period contained a WD with the \$2.56/hour H&W. All other service contracts using Area WDs should have the lower-level H&W rate. Enclosure (2) contains some helpful reminders related to this change.

Finally, please note that enclosure (1), in its final paragraph, requests suggestions regarding revisions to the Service Contract Act Directory of Occupations (located on the WDOL Program). Suggestions for revisions, deletions, or additions should be submitted through ABM.

Please share this important information with all contracting personnel with responsibility for service contracting.


M. F. Jaggard
Executive Director (Acting)
Acquisition and Business
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U.S. Department of Labor

Employment Standards Administration
Wage and Hour Division
Washington, D.C. 20210



MAY 17 2001

MEMORANDUM NO. 194

TO: All Contracting Agencies of the Federal Government and Contracting Agencies of the District of Columbia

FROM:


Thomas M. Markes
Acting Administrator

SUBJECT: Service Contract Act Health and Welfare Fringe Benefit Changes, and plans for Revision of the Service Contract Act Directory of Occupations

In accordance with the requirements of Section 4.52 of the Regulations, 29 CFR Part 4, the prevailing health and welfare fringe benefits issued under the McNamara O'Hara Service Contract Act (SCA) will be increased on June 1, 2001. As prescribed by the Regulations, the new benefit rates are derived from the latest Bureau of Labor Statistics Employment Cost Index (ECI) summary of Employer Cost for Employee Compensation. Effective June 1, 2001 the new SCA health and welfare single benefit rate will be \$2.02 per hour or \$80.80 per week, or \$350.13 per month.

Solicitation/Contracts Affected

All Invitation for Bids opened, or other service contracts awarded on or after June 1, 2001 must include an updated SCA wage determination (WD) issued in accordance with the regulatory health and welfare fringe benefit determination methodology. Contracting agencies may make pen and ink changes to their current WD if received for contracts beginning on or after June 1, and for which the updated health and welfare rates were not included. It is not required that the contracting agency request a revised WD for only a health and welfare rate change.

Wage Determinations for the State of Hawaii

Under Section 2a)(2) of the Service Contract Act, fringe benefit payments that are required by state law may not be used to satisfy the employer's fringe benefit obligations. In Hawaii, most employers are required by law to provide health insurance coverage for their employees. Therefore, employer contributions that are made to satisfy the employer's obligations under the Hawaii mandated pre-paid Health Care Act may not be credited toward meeting the contractor's obligations under SCA. The SCA WDs have addressed this issue in the past by excluding the health insurance portion. Currently, most Hawaii WDs specify a health and welfare benefit amount of \$.70 per hour.

Working to Improve the Lives of America's Workers

Consistent with past practices, and in recognition of the fact that Hawaii law requires employers to provide health care coverage for most employees, the SCA WDs for Hawaii will continue to exclude the health insurance portion of the benefits for all employees on whose behalf the employer provides benefits pursuant to the Hawaii prepaid Health Care Act. However, all employers are not required to make and, in fact, do not make contributions for certain employees under the Hawaii law, and the reduced fringe benefit level is not appropriate for those employees.

Therefore, effective June 1, 2001 the new SCA health and welfare fringe benefit level for Hawaii will be \$.93 per hour, or \$37.20 per week, or \$161.20 per month for all employees on whose behalf the contractor provides health care benefits pursuant to the Hawaii Health Care Act. For those employees who are not receiving health care benefits mandated by the Hawaii prepaid Health Care Act, the new health and welfare benefit rates will be \$2.02. For information regarding Hawaii's prepaid Health Care Act please contact the Hawaii Employer's Council, Post Office Box 29699, Honolulu, Hawaii 96820-2099, telephone: 1-800-836-1511.

Revision of the Service Contract Act Directory of Occupations (the Directory)

Beginning later in the summer, we will undertake a review of the appropriate occupational classes in the Directory. This is your opportunity to advise the Department of any occupational classes that should be added or deleted. Please submit your suggestions with a job description and a proposed federal grade equivalent to the Branch of Service Contract Wage Determinations by August 21, 2001.

SCA Administration Reminders

1. **New Wage Rates:** DOL continues its effort to change the wage rates on SCA Area WDs to comply with new survey methodology. About half of the WDs nationwide have been updated already. The remaining WDs will be revised over the next several months. Monitor the WDOL Program database for revisions to the WDs used in on-going solicitations. New or revised WDs will have to be incorporated into resulting contracts if received timely (see FAR 22.1012)

2. **IMPORTANT:** The Area WDs revised for the H&W rate will be published on the Wage Determinations On-Line (WDOL) Program in the next few weeks.

(a) **Reminder:** Do **not** incorporate the new H&W rate or revised wage rates into existing contract periods.

(b) **Contracts with union agreements:** The revised Area WDs are **NOT** applicable to a contract action if, in the preceding contract period, the incumbent contractor's employees were covered by a collective bargaining agreement (CBA) with a union. The CBA supersedes any Area WD if the CBA was effective in the preceding period.

(c) **Contracts without union agreements:** The revised Area WDs will be applicable to existing and new solicitations (and resulting contracts). The revised Area WDs will also be applicable to modifications to exercise an option, to extend the term of a contract, or to significantly change the scope of a contract, that are issued on or after June 1, 2001, per FAR 22.1012-2.

Enclosure (2)